

Sub 5 =

Sub 6 =

Sub 7 =

Sub 8 =

Sub 9 =

Sub 10 =

Sub 11 =

Sub 12 =

Sub 13 =

Sub 14 =

DE 1 =

DE 2 =

DE 3 =

Partnership 1 =

Newco =

Business A =

Business B =

a =

b =

c =

d =

e =

f =

Country A =

Country B =

Country C =

Country D =

Dear :

This letter responds to your August 21, 2013, request for rulings on certain federal income tax consequences of a series of proposed transactions (collectively, the

“Proposed Transaction”). The information provided in that request and in later correspondence is summarized below.

The rulings contained in this letter are based on facts and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. This office has not verified any of the materials submitted in support of the request for rulings. Verification of the information, representations, and other data may be required as part of the audit process.

In particular, this office has not reviewed any information pertaining to, and has made no determination regarding whether the Distribution (defined below): (i) satisfies the business purpose requirement of § 1.355-2(b); (ii) is used principally as a device for the distribution of the earnings and profits of the distributing corporation or the controlled corporation or both (see § 355(a)(1)(B) and § 1.355-2(d)); or (iii) is part of a plan (or series of related transactions) pursuant to which one or more persons will acquire stock representing a 50-percent or greater interest in the distributing corporation or the controlled corporation (see § 355(e)(2)(A)(ii) and § 1.355-7).

Summary of Facts

Distributing, a publicly traded corporation, is a holding company and the parent of a group of US and foreign entities (the “Distributing Worldwide Group”). Distributing is also the common parent of an affiliated group of corporations filing a consolidated federal income tax return (the “Distributing Consolidated Group”). The Distributing Worldwide Group conducts Business A and Business B.

Distributing owns all of the stock of Sub 1, Sub 2, and Sub 3. Sub 1, Sub 2, and Sub 3, together with their respective direct and indirect subsidiaries, conduct Business B.

Distributing also owns all of the stock of Sub 4, Sub 5, and Sub 6, each a limited liability company which is classified as a corporation for federal tax purposes, and all of the interests in DE 1, a limited liability company which is classified as a disregarded entity for federal tax purposes. DE 1 is indebted to Distributing (the “DE 1 Debt”). Sub 4, Sub 5, Sub 6, and DE 1, together with their respective direct and indirect subsidiaries, conduct Business A.

Sub 4 owns all of the stock of Sub 7, a limited liability company which is classified as a corporation for federal tax purposes, and all of the interests in DE 3, a limited liability company which is classified as a disregarded entity for federal tax purposes. Sub 4 and DE 3 own all of the stock of Sub 8, a Country B entity which is classified as a corporation for federal tax purposes.

DE 1 owns all of the interests in DE 2, a Country A entity which is classified as a disregarded entity for federal tax purposes. DE 2 owns all of the stock of Sub 9, a Country A entity which is classified as a corporation for federal tax purposes. Sub 9 owns all of the stock of Sub 10, a Country A entity which is classified as a corporation for federal tax purposes. Sub 10 owns all of the stock of Sub 11, a Country A entity which is classified as a corporation for federal tax purposes. Sub 11 owns all of the common stock of Sub 12, a Country A entity which is classified as a corporation for federal tax purposes. Distributing owns two hybrid instruments of Sub 12 that constitute an additional class of common equity for federal income tax purposes (the “Hybrid Instruments”). DE 1 owns all of the preferred stock of Sub 12.

Sub 12 owns a% of Partnership 1, a Country B entity which is classified as a partnership for federal tax purposes. Sub 8 owns the remaining b% interest in Partnership 1.

Sub 5 owns all of the stock of Sub 13, a Country C entity which is classified as a corporation for federal tax purposes, and Sub 14, a Country D entity which is classified as a corporation for federal tax purposes.

Distributing wishes to separate Business A from Business B to (i) enhance corporate growth and efficiency; (ii) improve Distributing’s and Controlled’s access to capital to fund internal and external expansion; (iii) establish separate and more valuable acquisition currencies for Distributing and Controlled; and (iv) enhance Distributing’s and Controlled’s ability to attract and retain key employees.

Proposed Transaction

For what are represented to be valid business purposes, Distributing proposes to undertake the following steps:

- (i) Distributing will form Controlled with minimal capital.
- (ii) Distributing and DE 1 together will form Newco, a Country B entity disregarded as separate from Distributing for federal tax purposes (the “Newco Formation”).
- (iii) DE 1 will contribute to Newco all of the Sub 12 preferred stock, and Distributing will contribute cash and/or a portion of the Hybrid Instruments, in exchange for approximately c% and d%, respectively, of Newco interests (the “Newco Contribution”).
- (iv) Distributing will contribute (i) its ownership interests in Sub 4, DE 1, Sub 5, Sub 6, and Newco (each, a “Business A Entity”), (ii) the remaining portion of the Hybrid Instruments, and (iii) the DE 1 Debt (together, the “Business

A Assets”) to Controlled in exchange for Controlled stock, the assumption of certain liabilities of Distributing associated with the Business A assets, and cash to be distributed in step (v) below (the “Contribution”). A portion of the assumed liabilities will be liabilities which will be deductible or capitalized into the basis of assets by Controlled under its normal method of accounting following the Proposed Transaction (the “Distributing Deductible Liabilities”).

- (v) Controlled will borrow cash from third-party lenders through one or more capital markets borrowing(s). Controlled will distribute cash to Distributing in a special distribution (the “Controlled Cash Transfer”). Alternatively, Distributing may borrow under a short-term loan (the “Bridge Loan”) from an unrelated lender in order to repay Distributing debt before (iv) above. In this case, Distributing would use the cash received in the Controlled Cash Transfer in part to repay the Bridge Loan. To the extent, if any, excess cash exists after such debt repayment, Distributing may use the excess cash to pay ordinary course liabilities or repurchase shares of Distributing stock. In all cases, the cash received in the Controlled Cash Transfer will be used within e months following the Distribution.
- (vi) Distributing will distribute the Controlled stock to Distributing’s shareholders (the “Distribution”). Distributing will either (i) distribute, on a pro rata basis, all of the Controlled stock to Distributing’s shareholders (the “One-Step Distribution”) or (ii) on one or more occasions, offer to Distributing’s shareholders the right to exchange shares of Controlled stock for currently outstanding shares of Distributing stock (the first such exchange, the “Initial Exchange Offer” and all such exchanges, collectively, the “Exchange Offers”). If the Distribution is effected as a One-Step Distribution, all Controlled stock will be distributed on a single date. If the Distribution is effected as Exchange Offers and Distributing’s shareholders subscribe for less than all of Controlled’s stock in the Exchange Offers, Distributing will distribute any unsubscribed Controlled stock on a pro rata basis within f months of the date of the Initial Exchange Offer (the “Clean Up Distribution”; the One-Step Distribution or the Exchange Offers, together with the Clean Up Distribution, the “Distribution”). No fractional shares of Controlled stock will be distributed in the Distribution. Distributing shareholders otherwise entitled to receive fractional shares of Controlled stock will receive cash in lieu thereof. All fractional shares of Controlled stock that Distributing shareholders otherwise would be entitled to receive will be aggregated by an exchange agent and sold on the market, with the applicable Distributing shareholders receiving their respective shares of the proceeds.

Though Distributing has determined that it will proceed with the Proposed Transaction based on the business motivations discussed above, after the Distribution, Controlled's board may determine that Controlled should elect to be taxed as a REIT under § 856(c)(1) based on applicable business and market considerations at such time. Only after the Distribution will Controlled make the final determination as to whether or not it will elect REIT status.

In addition, in connection with the Proposed Transaction, Distributing (and/or its affiliates) and Controlled (and/or its affiliates) will enter into certain agreements and arrangements governing post-Distribution matters including (i) a separation and distribution agreement, (ii) a transition services agreement, (iii) a tax matters agreement, and (iv) an employee matters agreement (collectively, the "Continuing Arrangements").

Representations

Distributing makes the following representations with respect to the Distribution:

- (a) The indebtedness, if any, owed by Controlled to Distributing after the Distribution will not constitute stock or securities.
- (b) To the extent the Distribution is structured as Exchange Offers, the fair market value of the Controlled stock (including any fractional share interest) received by each shareholder of Distributing will be approximately equal to the fair market value of the Distributing stock surrendered by the shareholder in the exchange.
- (c) No part of the consideration to be distributed in the Distribution will be received by any shareholder of Distributing as a creditor, employee, or in any capacity other than that of a shareholder of Distributing.
- (d) In applying § 355(b)(2)(A) regarding the active conduct of a trade or business, Distributing will treat all members of its separate affiliated group (the "Distributing SAG"), as defined in § 355(b)(3)(B), as one corporation.
- (e) The five years of financial information submitted on behalf of Business B conducted by the Distributing SAG are representative of its present operations, and with regard to such operations, there have been no substantial operational changes since the date of the last financial statements submitted.
- (f) In applying § 355(b)(2)(A) regarding the active conduct of a trade or business, Controlled will treat all members of its separate affiliated group (the "Controlled SAG"), as defined in § 355(b)(3)(B), as one corporation.

- (g) The five years of financial information submitted on behalf of Business A conducted by the Controlled SAG are representative of its present operations, and with regard to such business, there have been no substantial operational changes since the date of the last financial statements submitted.
- (h) The Distributing SAG neither acquired Business B nor acquired control of an entity conducting Business B during the five-year period ending on the date of the One-Step Distribution or the Initial Exchange Offer (as applicable) in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part.
- (i) The Controlled SAG neither acquired Business A nor acquired control of an entity conducting Business A during the five-year period ending on the date of the One-Step Distribution or the Initial Exchange Offer (as applicable) in a transaction in which gain or loss was recognized (or treated as recognized) in whole or in part.
- (j) Following the Distribution the Distributing SAG will continue the active conduct of Business B and the Controlled SAG will continue the active conduct of Business A independently and with their separate employees (except as provided pursuant to the Continuing Arrangements).
- (k) The Distribution will be carried out to (i) enhance corporate growth and efficiency by enabling management of Distributing and Controlled to focus their attention on the developing and executing business strategies for their distinct businesses; (ii) improve Distributing's and Controlled's access to capital to fund internal and external expansion; (iii) establish for Distributing and Controlled separate and more valuable acquisition currencies; and (iv) enhance Distributing's and Controlled's ability to attract and retain key employees. The Distribution is motivated, in whole or in substantial part, by these corporate business purposes.
- (l) The Distribution is not being used principally as a device for the distribution of the earnings and profits of Distributing or Controlled, or both.
- (m) The receipt by Distributing shareholders of cash in lieu of fractional shares of Controlled stock is solely for the purpose of avoiding the expense and inconvenience to Distributing of issuing fractional shares and does not represent separately bargained for consideration. It is intended that the total cash consideration received by the shareholders of Distributing will not exceed one percent of the total consideration that will be distributed in

the Distribution. It is also intended that no Distributing shareholder will receive cash in an amount equal to or greater than the value of one full share of Controlled common stock.

- (n) For purposes of § 355(d), immediately after the Distribution, no person (determined after applying § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Distributing stock entitled to vote or 50 percent or more of the total value of shares of all classes of Distributing stock that was acquired by purchase (as defined in §§ 355(d)(5) and (8)) (a) during the five-year period (determined after applying § 355(d)(6)) ending on the date of the Distribution, if the Distribution is structured as a One-Step Distribution, or (b) beginning five years before the date of the Initial Exchange Offer and ending on the date on which the Distribution is completed, if the Distribution is structured as Exchange Offers (determined after applying § 355(d)(6)).
- (o) For purposes of § 355(d), immediately after the Distribution, no person (determined after applying § 355(d)(7)) will hold stock possessing 50 percent or more of the total combined voting power of all classes of Controlled stock entitled to vote or 50 percent or more of the total value of shares of all classes of Controlled stock that was (i) acquired by purchase (as defined in §§ 355(d)(5) and (8)) (a) during the five-year period (determined after applying § 355(d)(6)) ending on the date of the Distribution, if the Distribution is structured as a One-Step Distribution, or (b) beginning five years before the date of the Initial Exchange Offer and ending on the date on which the Distribution is completed, if the Distribution is structured as a series of Exchange Offers (determined after applying § 355(d)(6)); or (ii) attributable to distributions on Distributing stock or securities that were acquired by purchase (as defined in §§ 355(d)(5) and (8)) (a) during the five-year period (determined after applying § 355(d)(6)) ending on the date of the Distribution, if the Distribution is structured as a One-Step Distribution, or (b) beginning five years before the date of the Initial Exchange Offer and ending on the date on which the Distribution is completed, if the Distribution is structured as Exchange Offers (determined after applying § 355(d)(6)).
- (p) The aggregate fair market value of the Business A Assets transferred to Controlled in the Contribution will equal or exceed the aggregate adjusted basis of such assets.
- (q) The total fair market value of the assets transferred to Controlled by Distributing in the Contribution will exceed the sum of (i) the amount of any liabilities assumed (within the meaning of § 357(d)) by Controlled in

connection with the Contribution, (ii) the amount of any liabilities owed to Controlled by Distributing that are discharged or extinguished in connection with the Contribution, and (iii) the amount of any cash and the fair market value of any other property (other than stock and securities permitted to be received under § 361(a) without the recognition of gain) received by Distributing from Controlled in connection with the Contribution. The fair market value of the assets of Controlled will exceed the amount of its liabilities immediately after the Contribution.

- (r) The total adjusted bases of the assets transferred to Controlled in the Contribution will exceed the sum of (i) the liabilities assumed (within the meaning of § 357(d)) by Controlled (other than the Distributing Deductible Liabilities), and (ii) the total amount of cash and the fair market value of any other property (other than stock and securities permitted to be received under § 361(a) without the recognition of gain) received by Distributing from Controlled and transferred by it to its creditors or shareholders in connection with the plan of reorganization.
- (s) The liabilities assumed in the Contribution, if any, and any liabilities to which the transferred assets are subject were incurred in the ordinary course of business and are associated with the assets being transferred.
- (t) The incurrence of the Distributing Deductible Liabilities transferred to Controlled in the Contribution did not result in the creation of, or increase in, basis of any assets of Distributing or Controlled or the stock of Distributing or Controlled.
- (u) The Distributing Deductible Liabilities are accrued liabilities for financial accounting purposes by Distributing, but will not meet the timing requirements for a deduction by Distributing before the Contribution under Distributing's method of tax accounting. The Distributing Deductible Liabilities will meet the timing requirements for a deduction by Controlled after the Contribution under Controlled's method of tax accounting.
- (v) Except for indebtedness that may be created in the ordinary course of business or in connection with the Continuing Arrangements, no indebtedness will exist between Distributing and Controlled at the time of, or subsequent to, the Distribution.
- (w) Immediately before the Distribution, items of income, gain, loss, deduction, and credit will be taken into account as required by the applicable intercompany transaction regulations (see §§1.1502-13 and 1.1502-14 as in effect before the publication of T.D. 8597, 1995-2 C.B. 147, and as currently in effect; § 1.1502-13 as published by T.D. 8597). Further, any

excess loss account of a member in the stock of another member that is required to be taken into account by § 1.1502-19 will be included in income, as appropriate.

- (x) Except with respect to certain payments made pursuant to the Continuing Arrangements, payments made in connection with continuing transactions between Distributing and Controlled, if any, will be for fair market value based on terms and conditions arrived at by parties bargaining at arm's length.
- (y) No two parties to the transaction are investment companies as defined in § 368(a)(2)(F)(iii) and (iv).
- (z) Distributing, Controlled, and Distributing's shareholders will each pay their own expenses, if any, incurred in connection with the Distribution.
- (aa) The Distribution is not part of a plan or series of related transactions (within the meaning of § 1.355-7) pursuant to which one or more persons will acquire stock possessing a 50-percent or greater interest (within the meaning of § 355(d)(4)) in Distributing or Controlled (including any predecessor or successor of any such corporation).
- (bb) Immediately after the transaction (as defined in § 355(g)(4)), (i) no person will hold a 50-percent or greater interest (within the meaning of § 355(g)(3)) in Distributing or Controlled, (ii) if any person holds a 50-percent or greater interest (within the meaning of § 355(g)(3)) in any disqualified investment corporation (within the meaning of § 355(g)(2)), such person will have held such interest in such corporation immediately before the transaction, or (iii) neither Distributing nor Controlled will be a disqualified investment corporation (within the meaning of § 355(g)(2)).
- (cc) The distribution of Controlled stock to Distributing's shareholders in the Distribution is with respect to their ownership of Distributing stock.
- (dd) Any money, property, or stock contributed by Distributing to Controlled in the Contribution will be exchanged solely for Controlled stock, the assumption of certain liabilities of Distributing associated with the Business A assets, and cash distributed in the Controlled Cash Transfer.
- (ee) The amount of Distributing debt repaid with any cash received in the Controlled Cash Distribution will be less than the weighted quarterly average of all Distributing's debt owed to unrelated third parties for the 12 months ending on the day before its board first discussed the proposed divestiture of Business A.

Rulings

Based solely on the information submitted and the representations set forth above, and provided that (i) the distribution of Controlled stock to Distributing's shareholders in the Distribution is with respect to their ownership of Distributing stock, (ii) any money, property, or stock contributed by Distributing to Controlled in the Contribution is exchanged, as provided for in the Contribution, solely for Controlled stock, the assumption of certain liabilities of Distributing associated with the Business A assets, and cash distributed in the Controlled Cash Transfer, and (iii) any other transfer of stock, money, or property between Distributing, Controlled, or any Distributing shareholder and any person related to Distributing, Controlled, or any Distributing shareholder is respected as a separate transaction, we rule as follows:

- (1) The Contribution, together with the Distribution, will be a "reorganization" within the meaning of § 368(a)(1)(D). Distributing and Controlled each will be a "party to a reorganization" within the meaning of § 368(b).
- (2) Distributing will recognize no gain or loss upon the Contribution (§§ 361 and 357(a)). The Distributing Deductible Liabilities will be excluded in determining the amount of liabilities of Distributing assumed by Controlled for purposes of §§ 357(c), 358(d), and 361(b)(3).
- (3) Controlled will recognize no gain or loss upon the Contribution (§ 1032(a)).
- (4) Controlled's basis in each asset received from Distributing in the Contribution will equal the basis of such asset in the hands of Distributing immediately before the Contribution (§ 362(b)).
- (5) Controlled's holding period in each asset received from Distributing in the Contribution will include the period during which Distributing held such asset (§ 1223(2)).
- (6) Distributing will recognize no gain or loss upon the Distribution (§ 361(c)).
- (7) Distributing shareholder's will recognize no gain or loss (and no amount will be includible in their income) upon the receipt of Controlled stock (including any fractional share interest in Controlled) in the Distribution (§ 355(a)).
- (8) Provided that the Distribution is made as a pro rata distribution with respect to the stock of Distributing held by Distributing's shareholder, the basis of the Controlled stock and the Distributing stock in the hands of Distributing's shareholders immediately following the Distribution

(including any fractional share interest in Controlled to which the shareholders may be entitled) will equal the basis of the Distributing stock held by Distributing's shareholders immediately before the Distribution, allocated between the stock of Distributing and Controlled in proportion to their fair market value at the time of the Distribution in accordance with § 1.358-2(a)(2) (§ 358(b)(2) and (c)). If instead the Distribution is made as an exchange of Controlled stock for shares of Distributing stock, the basis of the Controlled stock received in the hands of Distributing's shareholder immediately following the Distribution will equal the basis of Distributing's shareholder in the shares of Distributing stock exchanged therefor in accordance with § 1.358-2(a)(2)(i) (§ 358(b)(2) and (c)).

- (9) The holding period in the Controlled stock received by each Distributing shareholder in the Distribution (including any fractional interest in Controlled to which the shareholder may be entitled) will include the holding period of the Distributing stock with respect to which the Distribution is made, provided the Distributing stock was held as a capital asset on the date of the Distribution (§ 1223(1)).
- (10) Earnings and profits will be allocated between Distributing and Controlled in accordance with § 312(h) and §§ 1.312-10(a) and 1.1502-33(e).
- (11) The receipt by Distributing shareholders of cash in lieu of fractional shares of Controlled stock will be treated for federal income tax purposes as if the fractional shares had been distributed to the Distributing shareholders as part of the Distribution and then had been disposed of by such shareholders for the amount of such cash in a sale or exchange. The gain (or loss) recognized, if any (determined using the bases allocated to the fractional shares in ruling (8) above), will be treated as capital gain (or loss), provided the stock was held as a capital asset by the selling shareholder (§ 1001). Such gain or loss will be short-term or long-term capital gain (or loss) (determined using the holding period provided in ruling (9) above).
- (12) Except for purposes of § 355(g), payments made between any of Distributing and Controlled and their respective affiliates under any of the Continuing Arrangements regarding liabilities, indemnities, or other obligations that (i) have arisen or will arise for a taxable period ending on or before the Distribution or for a taxable period beginning before and ending after the Distribution and (ii) will not become fixed and ascertainable until after the Distribution, will be viewed as occurring immediately before the Distribution (cf. Arrowsmith v. Commissioner, 344 U.S. 6 (1952); Rev. Rul. 83-73, 1983-1 C.B. 84).

Caveats

No opinion is expressed about the tax treatment of the Proposed Transaction under other provisions of the Code and regulations or the tax treatment of any conditions existing at the time of, or effects resulting from, the Proposed Transaction that are not specifically covered by the above rulings. In particular, no opinion is expressed regarding whether the Distribution: (i) satisfies the business purpose requirement of § 1.355-2(b), (ii) is used principally as a device for the distribution of the earnings and profits of Distributing or Controlled or both (see § 355(a)(1)(B) and § 1.355-2(d), or, (iii) is part of a plan (or series of related transactions) pursuant to which one or more persons will acquire stock representing a 50-percent or greater interest in Distributing or Controlled (see § 355(e) and § 1.355-7). Moreover, no opinion is expressed regarding the federal income tax consequences of the Newco Formation or the Newco Contribution.

Procedural Statements

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

This ruling is directed only to the taxpayer requesting it. § 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

A copy of this letter must be attached to any income tax return to which it is relevant. Alternatively, taxpayers filing their returns electronically may satisfy this requirement by attaching a statement to their return that provides the date and control number of the letter ruling.

In accordance with the power of attorney on file with this office, a copy of this letter is being sent to your authorized representative.

Sincerely,

Richard K. Passales

Richard K. Passales
Senior Counsel. Branch 4
Office of Associate Chief Counsel (Corporate)